



Department of Property & Procurement

Government of the United States Virgin Islands

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November 25, 2015

AMENDMENT #1 RFP-002-2016(P) The Office of Management and Budget is requesting proposals from Qualified Certified Public Accounting or Financial Management firm to provide Third Party Fiduciary oversight and Federal Funds Management to the Government of the Virgin Islands.

INSERT: Questions and Answers

ALL OTHER TERMS AND CONDITIONS REMAIN UNCHANGED

BIDDERS MUST ACKNOWLEDGE RECEIPT OF THIS AMENDMENT WITH THEIR BID PROPOSAL.

QUESTION & ANSWER(s):

1. Can we obtain a copy of the current Compliance Agreement between the USED and USVI – **Yes, see Attached**
2. Has the Compliance Agreement been reviewed with every grant and how often? **Yes, every USED grant**
3. Can we obtain the latest Single Audit Report - <http://www.usvifinance.info/html/Financial-Statements.html>
4. What is the current status of the project – is the current provider up to date with the requirements? **Yes**
5. Has the USED performed any review or evaluation of the services provided by the current TPF entity? – If yes, what have the results been? **N/A**
6. Are the TPF records maintained in a separate platform and/or software than that of the USVI government? – If so, what is the platform? **Yes, TPF ERP System (owned by GVI) and reports on current TPF's databases**
7. Does the government have access to the platform? **No**
8. Is there a transition plan in place with the current TPF? Is that part of the actual contract? **Yes / Yes**
9. That transition period should be executed within the May to June period? **Transition started April 2015**
10. Can we obtain a flowchart of the information systems platforms in place for federal awards recording, approval and disbursements and which individuals have access to such systems? **IT functionality is being transitioned to OMB's IT Unit**
11. Does VIDE and VIDHS have separate grants from the USED? **Yes, as well as VIDOH**
12. Do any of those agencies have sub recipients? **Yes** If so, who are the sub recipients? **It differs per grant year** What's the amount of federal funds that have been passed through? **It differs per grant year**

Pass through funds- if applicable (allocated funds)

<i>Name of the Sub Recipient</i>	<i>Grant</i>	<i>Type</i>	<i>FFY</i>	<i>Start Date</i>	<i>End Date</i>	<i>Last monitoring report</i>

13. Actual federal funds budget for VIDE and VIDHS, total of _____ and detail:

<i>Grant Name</i>	<i>FFY</i>	<i>Start Date</i>	<i>End Date</i>	<i>Closeout</i>
<i>See Attached</i>				

14. Need a copy of the Federal Funds Organization Chart from VIOMB:

- How many staff are employed in these offices? **Currently 6 (plan is for 9)**
- Is their pay allocated solely from state federal funds? **Yes**
- What's the average of the percentage of the USED federal funds allocated to pay each person? **Full**

15. Does the VIDE and VIDHS have their own federal funds division? **Yes** Please include their organizational chart
- How many people are employed? **N/A**
 - Provide an average of the percentage of federal funds allocated to pay each person?
N/A
16. Is there an allocation plan in place? **Yes**
17. The Tyler Munis System is mainly operated by the VIOMB? **No** Does VIDE and VIDHS also use this system? **Yes**
18. Based on the RFP we interpreted that the drawdown authority has been held by the agency grantee and the TPF will received the documentation post draw down, is that correct? **Yes**
Or is the TPF informed prior to drawing down of funds and does the TPF have any type of control in the drawdown process. **The TPF processes the check run and informs the department of the amount to be drawn.**
19. Does the VIOMB already have an SOP for that process? **There are written policies and procedures for all the processes performed by the TPF**
20. How many drawdowns does each grantee execute in a year? **The TPF performs a check run once a week, usually on Wednesday of each week. If necessary, a special check run will be processed; therefore, the approximate number would be 60 drawdown requests per agency for a combined total of 120.**

Agency Grantee	Grant	FFY	Total of drawdown

Do any of the grants have active Corrective Action Plans? **All of the grants issued by USED are**

part of the Compliance Agreement and are included in a Corrective Action Plan that is currently reported quarterly to USED. There are 4 subcommittees that meet monthly to review the progress made and to discuss pending issues. Financial Management (FM), Property Management and Procurement (PMP), Human Capital (HC) and Program, Planning, Design and Evaluation (PPDE).

Agency Grantee

Grant

CAP

Status

Available for review

Virgin Islands Department of Human Services
As of November 20, 2015

12:00 PM

	Budget	Expenditures	Encumb	Pre-Encumb	Available			Amt to Obligate	Last Day To	
					Personnel	Indirect	Operating		Obligate	Draw
Active Grants										
Total DHS FFY2014 Grants	2,060,967	1,820,100	196,646	-	1	31,801	12,420	12,421	9/30/2015	12/30/2015
Total DHS FFY2015 Grants	2,059,873	1,017,174	110,535	56,105	78,338	4,968	792,753	871,091	9/30/2016	12/30/2016
Total DHS FFY2016 Grants	14,627	-	-	-	-	-	14,627	14,627	9/30/2017	12/31/2017
TOTAL FOR ALL ACTIVE GRANTS	4,135,467	2,837,274	307,180	56,105	78,339	36,768	819,800	898,139		

	Budget	Expenditures	Encumb	Pre-Encumb	Available			Amt to Obligate	Last Day To		
					Personnel	Indirect	Operating		Obligate	Perform Svcs	Draw
Active Grants Expiring in 2015											
FFY14 Advance Placement - Test Fees	16,745	16,745	-	-	-	-	-	CLOSED	CLOSED	CLOSED	
FFY13 Special Education	8,874,264	8,784,876	77,631	-	-	11,724	33	33	9/30/2015	9/30/2015	12/30/2015
Total 2015 Grants	8,891,009	8,801,621	77,631	-	-	11,724	33	33			
Active Grants Expiring in 2016											
FFY13 Consolidated 2013 Title V	20,124,128	18,171,688	1,178,062	18,427	481,932	83,267	190,752	672,684	12/31/2015	12/31/2015	3/30/2016
FFY13 VI Virtual Information Systems	2,606,687	395,706	46,951	-	354,414	141,436	1,668,179	2,022,593	6/30/2016	6/30/2016	9/30/2016
FFY13 Striving Readers Literacy Program	1,045,863	878,964	93,000	-	12,918	9,993	50,988	63,906	8/1/2016	8/1/2016	11/1/2016
FFY14 Special Education	8,959,778	7,299,721	644,280	318,898	329,381	111,381	256,116	585,497	9/30/2016	9/30/2016	12/30/2016
FFY14 Consolidated 2014 Title V	2,681,145	153,833	1,411,321	223,669	81,212	51,098	760,013	841,225	9/30/2016	9/30/2016	12/30/2016
Total 2016 Grants	35,417,601	26,899,912	3,373,615	560,995	1,259,857	397,176	2,926,048	4,185,905			
Active Grants Expiring in 2017											
FFY15 Special Education	1,655,408	209,261	-	-	1,075,668	100,622	269,857	1,345,525	9/30/2016	9/30/2016	12/30/2017
FFY12 Territories & Freely Associated States	2,948,453	1,869,822	480,523	21,535	207,961	69,531	299,080	507,041	9/30/2017	9/30/2017	12/30/2017
Total 2017 Grants	4,603,861	2,079,084	480,523	21,535	1,283,629	170,154	568,937	1,852,566			
Active Grants Expiring in 2019											
FFY15 Improving Education Positive Climate	1,462,614	153,687	102,672	33,942	790,576	86,773	294,964	1,085,540	9/30/2019	9/30/2019	12/30/2019
Total 2019 Grants	1,462,614	153,687	102,672	33,942	790,576	86,773	294,964	1,085,540			
TOTAL FOR ALL ACTIVE GRANTS											
	50,375,085	37,934,304	4,034,441	616,471	3,334,062	665,826	3,789,982	7,124,044			



Compliance Agreement
Between
The U.S. Virgin Islands
And
The U.S. Department of Education

SEPTEMBER 23, 2002



U. S. Virgin Islands Compliance Agreement

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I. Overview of Issues

As a result of serious and recurring deficiencies in the administration of various Federally funded programs by the government of the U.S. Virgin Islands (VI), the U.S. Department of Education (the Department) has designated VI a "high-risk grantee" under 34 CFR §80.12. The Department has been working closely with the Virgin Islands Department of Education (VIDE) and with other Virgin Islands agencies in recent months to address these major issues, but it is clear that the problems cannot be corrected by the Virgin Islands immediately, and that the Virgin Islands will need more than one year to correct them. Therefore, in order to remedy this condition the Department has consented to enter into this comprehensive, three-year compliance agreement with VI.

Through this Compliance Agreement, the VI, with assistance from the Department, agrees to develop integrated and systemic solutions to problems in managing Federal education funds and programs. The issues are being carefully examined and addressed from the perspective of every VI agency and local entity with management responsibility for resources or programs that have an impact on education. Solutions may involve re-engineering systems and processes or implementing technology. In addition, solutions must address communication and cooperation among VI Departments, and developing a culture of "getting the work done right." Whatever the solutions the VI chooses to implement, they must ensure the best educational systems possible for the people of the Virgin Islands. It is also understood that by the end of the term of this Agreement, VI must be in full compliance with the requirements of all programs funded by the Department.

The Compliance Agreement is also intended to ensure an effective planning and evaluation process throughout VI programs and initiatives. Planning and evaluation processes are the basis for determining program goals, current status, improvement needs, budgets, resources, effectiveness of results, and other important aspects of effective program management. Through this Agreement, the VI will improve its program planning and evaluation for education programs and use the plans and evaluation results to drive management and resource decisions.

This Compliance Agreement addresses four areas of crosscutting issues: (1) Program Planning, Design and Evaluation, (2) Financial Management, (3) Human Capital, and (4) Property Management and Procurement. The issues are presented as crosscutting because of the impact of other VI agencies on VIDE. Thus, it is critical that these issues be addressed not just in VIDE, but across virtually the entire Virgin Islands government. In addition, the issues cannot be addressed in a piecemeal fashion and they must encompass an effective planning and evaluation process.

The Compliance Agreement lists specific action items for each crosscutting issue. However, the Department will not determine the VI's progress in meeting the terms of the Agreement only by assessing completion of listed action steps. Rather, the Department will judge progress by the systemic approaches and degree of integration that the VI brings in designing and implementing solutions to complex problems in each of the crosscutting areas, and by the demonstrated communication, cooperation, and organizational culture

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change toward "getting the work done right." These approaches should include effective planning and evaluation of resource and management decisions that are designed to produce better educational results.

In making the critical systemic and organizational culture changes required to meet the terms of the Compliance Agreement, it is important to understand that the Agreement is not designed to benefit the Department, VIDE, or the Virgin Islands government. All of the requirements of the Compliance Agreement are directed toward one end: improving education for the students of the Virgin Islands. In the end, the Department and the VI will judge success by determining how well the VI has improved educational programs and met the terms of the Compliance Agreement.

II. Consequences for Not Meeting the Terms and Conditions of the Agreement

A. Mutual Agreements and Understandings Regarding the Terms, Conditions and Enforcement of this Compliance Agreement

Severability

The parties agree that this Compliance Agreement includes terms and conditions that apply to the various Federal programs included in the Agreement (hereafter "covered Federal programs") and also terms and conditions that are program specific. To that end, the parties agree that each such term and condition for each covered Federal program may constitute a separate agreement between the Virgin Islands and the Department. For purposes of 20 USC §1234f, each such term or condition as to each covered Federal program shall be severable from each other term or condition for each of the covered Federal programs. Unless set out otherwise, a determination by the Department under 20 USC §1234f (d) that the Virgin Islands is not meeting the terms and conditions may be specific to such term, condition or program without impacting the continuing obligations under the Agreement. That is, all other terms and conditions for all covered Federal programs or the specific term or condition for other covered Federal programs would remain in place for the duration of the Agreement or until such time as the Department determines failure by the Virgin Islands to meet those terms and conditions.

Alternatively, the parties understand and agree that a determination by the Department under 20 USC §1234f(d) that the Virgin Islands has failed to meet any of the terms and conditions shall, at the Department's discretion, be grounds for finding the Agreement, as to such terms and conditions, no longer in effect and that the Department may take any and all additional actions authorized by law. Some examples of such actions are set out below.

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Additional Terms and Conditions Under 34 CFR §80.12

Under this provision, the Department may apply additional conditions to one or more of the Virgin Islands' grants, having determined that the Virgin Islands is a "high risk" grantee (because it has a history of unsatisfactory performance and has not conformed to terms and conditions of previous awards)

Special conditions or restrictions may include, but are not limited to: (1) payment on a reimbursement basis; (2) withholding authority to proceed to next phase until receipt of evidence of acceptable performance within a given funding period; (3) requiring additional, more detailed financial reports; (4) additional project monitoring; (5) requiring the Territory to obtain technical or management assistance, including the designation of a third-party fiduciary to administer all or part of the Virgin Islands' grants from the Department; or (6) establishing additional prior approvals. The use of a condition for one covered Federal program does not require or preclude its use for a different covered Federal program.

Under such circumstances the Department would notify the Virgin Islands as early as possible, in writing, of the: (1) nature of special conditions/restrictions; (2) reason(s) for imposing them; (3) corrective actions which must be taken before they will be removed and time allowed for completing corrective actions; and (4) method of requesting reconsideration of conditions/restrictions imposed.

Judicial Enforcement

1. *Cease And Desist Order Under 20 USC §§1234c(a)(2) and 1234e*

The Department may seek injunctive relief to compel specific actions or to stop specific actions. Under this process, the Department issues a complaint to the Virgin Islands, describing the factual and legal basis for the Department's belief that the Virgin Islands is failing to comply substantially with a requirement of law including this agreement, and containing a notice of hearing. A hearing before an Administrative Law Judge (ALJ) must occur. The ALJ's report and order, requiring the Virgin Islands to stop specific actions or compelling specific actions, becomes the final agency decision. The Department may enforce the final order by withholding any portion of the Virgin Islands' grant award or certifying the facts to the Attorney General who may bring an appropriate action for enforcement of the order.

2. *Referral To Department Of Justice For Appropriate Enforcement—20 USC §1416*

If the Department finds, after reasonable notice and opportunity for hearing to the Virgin Islands, that: (1) there has been a failure by the Virgin Islands to comply substantially with any provision of applicable Federal laws; or (2) there is a failure to comply with any condition of a Local Educational Agency's or the Virgin Islands' eligibility (including terms of Compliance Agreement within

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timelines specified in Agreement), the Department may, after notifying the Virgin Islands, refer the matter for an appropriate enforcement action, which may include referral to the Department of Justice.

Withholding of Grant Funds—20 USC §§1234c(a)(1), 1234d and §1416

If the Department finds, after reasonable notice and opportunity for hearing to the recipient, that there has been a failure to comply substantially with a requirement of law, including with this Agreement, the Department may withhold, in whole or in part, future payments to the recipient.

If the Department finds, after reasonable notice and opportunity for hearing to the Virgin Islands, that: (1) there has been a failure by the Virgin Islands to comply substantially with any provision of applicable Federal laws; or (2) there is a failure to comply with any condition of a Local Educational Agency's or the Virgin Islands' eligibility (including terms of Compliance Agreement within timelines specified in Agreement), the Department may, after notifying the Virgin Islands, withhold, in whole or in part, any further payments to the Territory. Department may limit withholding to a particular Local Educational Agency or State agency.

Escrow Account to Fund Third-Party

If the Virgin Islands fails to meet a term deemed significant by the Department in the Compliance Agreement, the Department may place an appropriate amount of the Virgin Islands grants into an interest bearing escrow account to fund the duties of a third party fiduciary agent. VI may request a reconsideration of this action.

Recovery of Funds – 20 USC §1234a

Any funds improperly expended or not properly accounted for are subject to recovery by the Department according to 20 USC §1234a.

B. Criteria for Determining Consequences

The Virgin Islands will provide the Department with quarterly progress reports for all of the action steps and performance measures set forth in the Agreement. The Virgin Islands and the Department agree that failure to (1) provide all required reports in a timely manner, (2) show substantial progress in completing all action steps as required, (3) complete critical action steps within the timeframe designated in the Agreement, or (4) achieve critical performance measures as specified in the Agreement, will be considered a failure to meet the terms and conditions of the Agreement.

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III. Reporting Requirements

This Compliance Agreement requires regular progress reporting for all issues. VI must provide the Department (1) a description of activities and progress for the issue and its related sub-issues during the reporting period, (2) the status of each action step required to be taken during the reporting period, (3) documentation of action step completion for those steps required to be completed during the reporting period (including explanation of delays for all steps not completed that were scheduled to be completed, and expected completion dates for all unimplemented steps), (4) documentation of measures of performance and results, and (5) other data or documentation as specified within the action steps for each issue or related sub-issue in this Agreement. This information should be transmitted to the Department by updating (at least quarterly) an internet web site developed and maintained by the Virgin Islands Government. The Virgin Islands Office of Management and Budget (VIOMB) will be responsible for tracking, monitoring and reporting progress on all requirements and milestones in this Agreement in a manner that is fully accessible to the Department and the public. Information in the progress tracking web site should be updated continuously, but in any event, no later than 30 days from the last day of each quarter. The first quarterly period will encompass the time from which all parties sign this Agreement through December 31, 2002.

The VI and the Department agree that the following performance measures apply for each issue and sub-issue, in addition to other performance measures specified throughout this Agreement.

1. All plans, other documents, and reports are timely, complete, accurate, and address the requirements set forth in this Agreement.
2. All action steps are implemented within the timeframes set forth in this Agreement.
3. Implementation of action steps demonstrates progress towards achieving the outcomes or performance measures set forth in this Agreement.

IV. Updated Plans, Action Steps, and Timelines from December 2001 Meeting

Action steps and timelines that the VI developed in December 2001 are included in the issue descriptions throughout this document. The VI will need to assess the action steps and timelines developed in December and determine if (1) the action steps fully meet the requirements of this Agreement, (2) the action steps will move the VI toward achieving the required performance measures, and (3) the timelines need to be modified within the time boundaries set forth in this Agreement. Updating the December action steps and timelines into plans for which the VI will be accountable is a critical action step for each issue and sub-issue. Once the VI develops a plan for each issue or sub-issue, as specified in this Agreement, and the Department agrees to the plan, the action steps and timelines in the plan will become additional requirements of this Agreement and be subject to the reporting requirements and consequences for

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not meeting terms and conditions as set forth in this Agreement. The Department will assist by consulting with VI to develop reports or reporting formats that shall satisfy the reporting requirements as set forth in this Agreement. The Department will also assist, to the extent that resources are available, the VI with the orientation and training of personnel.

The remainder of this document provides issue descriptions, action steps, and performance measures for (1) Program Planning, Design and Evaluation, (2) Financial Management, (3) Human Capital, and (4) Property Management and Procurement.

V. Issues

Issue 1.0: Program Planning, Design, and Evaluation

Issue Description

Because the stated purpose of this Agreement is to improve education for the students of the VI, it is critical to successfully meeting the terms of this Agreement that the VI use the first year of the next three year period to develop long-term goals, assess the current status of each program receiving Federal assistance, and design coherent programs to bridge the gap between the current status of education in the VI and its educational goals and applicable requirements.

An issue of significant importance to program planning, design, and evaluation is the legal and administrative impact of the organizational structure and legal classification of the various educational agencies in the Virgin Islands. This Compliance Agreement has been drafted in reliance upon the mutual understanding that the Virgin Islands has established and maintains a State educational agency (SEA) and two local educational agencies (LEA), as defined under Federal law. Thus, for purposes of administering its Federal grants, VIIDE, as the SEA, must make steady progress towards meeting all Federal requirements that are related to that designation, including where specified, providing LEAs, the St. Thomas/St. John school district and St. Croix school district, the appropriate levels of Federal funding and autonomy required under each Federal program's requirements. Therefore, by entering into this Agreement, the VI acknowledges the Department's reliance upon this designation, agrees to comply with the specific Federal requirements that apply through this designation and agrees not to change this designation during the period of this Agreement without the prior approval of the Department.

Effective planning and design includes the following elements: (1) program goals stated in measurable terms (outcome measures), (2) baseline assessments of current status (baseline measures), (3) comparison of current status to program goals (baseline measures to outcome measures), (4) a report of areas where current programs do not meet goals, (5) a plan to improve current programs to meet goals, (6) a schedule for implementing the plan, (7) measures to determine if the plan implementation is having the intended effect, and (8) options for further modification if implementing the plan is not having the intended effect. Any planning and design process

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will take into account Federal and State requirements for each program, as well as other applicable professional standards. In addition, the planning process should include citizen and/or customer input and feedback; input is a vital part of the process to set goals, and feedback is equally significant in assessing results. A critically important aspect of the planning and design process is that it is fully integrated as the foundation for other program-related decisions about budgets, financial management, personnel requirements, and other resource needs.

In order to fully implement this process, a comprehensive, school-based, statewide plan will be developed. The Department will provide model comprehensive plans, if appropriate, and referrals to successful jurisdictions for guidance. VI will seek the assistance of expert consultants and other grantees to provide hands-on guidance in completing the comprehensive planning process. Reasonable and necessary expenses for this assistance will be considered allowable costs chargeable to a Department grant to be awarded by September 30, 2002, provided an approvable application is received in a timely manner. The expected outcomes identified in this plan, among other federally and locally identified outcomes, will include:

- Schools gain greater site-based authority to determine needs and apply funding to those needs.
- School site-based management will be enhanced through greater school community involvement and increased awareness of accountability.
- Programs can be implemented that best fit the needs of the individual school population rather than one district approach for all.
- Activities conducted under this plan bring VI into compliance with statutory and regulatory requirements for Department programs.

In general, the comprehensive statewide plan should be based on information derived from individual school plans. These school plans should include, at a minimum, the components listed below.

- A comprehensive needs assessment of the entire school, based on information about student academic achievement.
- Strategies that provide opportunities for all children to meet proficient and advanced levels of academic achievement, use effective methods of instruction that are based on scientific research and address the needs of all children in the school.
- Instruction by highly qualified teachers as defined by the *Elementary and Secondary Education Act*.
- High quality and ongoing professional development for teachers, principals, and other staff.
- Strategies to attract high-quality teachers in all schools, but with special emphasis on high-need schools.
- Strategies to increase parental involvement.
- Plans for assisting preschool children in the transition from early childhood programs to local elementary school programs.
- Measures to include teachers in decisions about academic assessment.
- Assistance for children who experience difficulty mastering the proficient or advanced levels of academic achievement standards.

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- Coordination and integration of Federal, State and local services and programs.
- Annual report cards for the performance of each school as defined by the *Elementary and Secondary Education Act*.
- All expenditures are allowable under the requirements of each grant and applicable program.

This comprehensive plan for reforming the total instructional program in the school should be developed during the first year period, with the involvement of staff, parents, administrators, and others. The plan must:

- Describe how the school will implement the components summarized above.
- Describe how the school will use resources to implement the components.
- Include a description of Federal, SEA, and LEA programs that will be available in the individual school.
- Describe how the school will provide parents with individual student academic assessment results and other information about the individual schools, including interpretation of the results, in understandable language.

Identification of Long-Term Goals

For each Federal program it is important to identify the desired or required outcomes, so VI can measure improvement for that program by how close it is to achieving these goals as well as maintaining improvement on a continuous basis. Examples of this are:

- For the Title V, Part A program, the law requires states to aim for increased student academic achievement or improved quality of education for all students.
- For the Vocational Education and Adult Education programs, the desired outcomes are defined by the program statutes in terms of the core indicators of performance or additional VI-identified indicators that measure student performance.

Assessment of Current Status of Programs in Terms of Goals

This sub-issue involves an assessment at the VI-wide and school level of each Federal program in terms of the goals identified. It also requires VI to identify a measurement approach (a method for measuring) for each goal or core indicator. Once the measurement approach is identified, VI must establish a baseline that reflects the current status for each goal or indicator. Examples of this include:

- For the Title V, Part A program, VI must identify the current academic levels for the students benefiting from the program, which is the baseline, and establish incremental targets for improvement to reach the goals identified in sub-issue 1.2.
- For the Vocational Education and Adult Education programs, the VI must establish a baseline and levels of performance (incremental targets) for each required core indicator and any VI-identified indicators for each of the subsequent years of this Agreement.

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Identification of Educational Program Needs to Meet Goals

Once the VI has identified its baselines in comparison to its goals, it must identify the needs that have to be met to bridge the gap between the baseline (current status) and the goals. The needs must be consistent with the purposes and allowable activities under each program. In developing program activities, VIDE will have as a goal that by the end of the three year period of this agreement, 95% of the Federal education funds will be spent on instructional activities and directly related expenditures.

Development of Program Design and State Plans or Applications that Address Identified Needs

The VI must develop, prepare, and submit to the Department a State application in conformance with the requirements of each program for which funds are being expended and any other requirements set forth in this Agreement. These applications should be based on information gathered from the school-based comprehensive plans developed under this section.

Sub-Issue 1.1: Separation of State and Local Educational Agencies

Sub-Issue Description

In a letter dated August 1, 2001, at the request of the Department and VIDE, the Attorney General of the Virgin Islands provided the legal opinion that under local law, the structure and functions of the various educational agencies in the Virgin Islands were divided into, VIDE, as the SEA, and the St. Thomas/St. John school district and the St. Croix school district, as the two LEAs. This has significant implications for the administration of Federal education programs. For example, under Part B of the Individuals with Disabilities Education Act, the SEA must ensure that eligible LEAs receive subgrants under the formula specified at 34 CFR §300.712. Additionally, under Title V of ESEA, an LEA is to have complete discretion in deciding how to allocate funds among the allowable Title V program areas, and must ensure that its Title V expenditures carry out the purposes of the program and are used to meet the educational needs in schools within the LEA. The specific terms of this Compliance Agreement contemplate the administrative structure of one SEA and two LEAs.

Performance Measures for Issue 1.0 and 1.1

1. By the end of the three-year period of the Compliance Agreement, VI will be in full compliance with the program requirements of all Department grants for which VI expends funds and any other requirements set forth in this Agreement.

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2. VI's implementation of the action steps described below brings it into full compliance with the standards and assessment requirements of Title I, ESEA that all States were required to meet by the end of the 2000-2001 school year, no later than the end of the three-year period of the Compliance Agreement.
3. By the end of the three-year period of the Compliance Agreement, VI must have developed a detailed plan for how it will comply with the requirements of the *Elementary and Secondary Education Act*, including Title I, Part A of the ESEA as reauthorized by the *No Child Left Behind Act*. We expect that at the end of the three-year period, VI DE will apply for most or all of the individual programs authorized under the *Elementary and Secondary Education Act*, the *Adult Education and Family Literacy Act* rather than consolidating them.
4. By the end of the three-year period of the Compliance Agreement, VI's implementation of the action steps described below must bring its programs into full compliance, with respect to Federal law and with the obligations and responsibilities of a single SEA and two LEAs.

Action Steps Required

	Year 1	Year 2	Year 3
1.	The VI must submit to the Department within 120 days from the date of the compliance agreement, an approvable action plan that can demonstrate steady progress toward developing a comprehensive statewide plan and fiscal year 2003 consolidated grant application described in items two and three below.	1. In the second year of the Compliance Agreement, the VI will implement the comprehensive, statewide plan and demonstrate that it is achieving the program goals that are required.	1. In the third year of the Compliance Agreement, the VI will implement the comprehensive, statewide plan and demonstrate that it is achieving the program goals that are required.
2.	Within the first year of the Compliance Agreement the VI must develop a comprehensive, school-based, statewide action plan for complying with the requirements of various programs funded by the Department including, but not limited to: Title I, Part A of ESEA standards and assessment requirements, Vocational Education State Plan, Occupational and Employment continuation grant, Adult Education, and Title V-A. The plan must include, at a minimum, the following elements: (1) goals stated in measurable terms (outcome measures) based on program requirements; (2) baseline assessments of the VI's current status (baseline measures); (3) comparison of the VI's current status to the goals including an appropriate needs assessment; (4) a report of areas where current programs	2. In the second year of the Compliance Agreement, the VI will demonstrate steady progress towards meeting all Federal requirements related to the designation of a single SEA and two LEAs and is ready to meet all requirements.	2. In the third year of the Compliance Agreement, the VI will meet all Federal requirements related to the designation of a single SEA and two LEAs and is ready to meet all requirements.
3.		3. The VI will prepare and make public annual report cards for the performance of each school as defined by the <i>No Child Left Behind Act</i> .	3. By the end of the three-year period of the Compliance Agreement, VI will have submitted a detailed plan for how it will comply with the requirements of the <i>No Child Left Behind Act</i> , including Title I, Part A of the ESEA as reauthorized by the <i>No Child Left Behind Act</i> .
4.		4. The VI will prepare and submit semi-annual expenditure report that includes certification that all expenditures are for allowable	

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<p>do not meet goals; (5) action steps to improve current programs to meet goals; (6) a schedule with clear, reasonable completion dates for implementing the action steps; (7) measures to determine if the plan implementation is having the intended effect; (8) options for further modification if implementing the plan is not having the intended effect; (9) demonstration of citizen and customer input and feedback; and (10) demonstration of its foundation for decisions about budgets, personnel requirements, and other resource needs. Other requirements of the plan are included in section 1.0 above and applicable laws and regulations.</p> <p>3. Within the first year of the Compliance Agreement the VI must include in the development of a comprehensive, school-based, statewide action plan such action steps that will show steady progress in meeting the requirements of Department grants with respect to separate SEA/LEA issues described in sub-issue 1.1 above.</p> <p>4. Prepare and submit semi-annual expenditure report that includes certification that all expenditures are for allowable purposes (the reports will include the detail required in the FY 2000 special conditions).</p>	<p>purposes (the reports will include the detail required in the FY 2000 special conditions).</p>	<p>4. The VI will prepare and make public annual report cards for the performance of each school as defined by the <i>No Child Left Behind Act</i>.</p> <p>5. The VI will prepare and submit semi-annual expenditure report that includes certification that all expenditures are for allowable purposes (the reports will include the detail required in the FY 2000 special conditions).</p>
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Issue 2.0: Financial Management

Issue Description

It is critical to successfully meeting the terms of this Agreement that the VI use the next three years to develop a credible central financial management system (FMS). In brief, such a system would provide the correct amount of funds, in the correct accounts, in a timely manner, all the time. Credible financial management includes systems, policies, and procedures that (1) provide access to accurate information when needed, (2) account appropriately for funds, (3) ensure timely deposits or draw down of funds, (4) ensure timely and accurate payments, and (5) otherwise enable and support generally accepted government financial management and accounting standards and requirements. In addition, VIDE, VIDF and other VI Departments must demonstrate improved communication and cooperation to develop an FMS that meets needs across the VI.

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Through the terms of this Agreement, financial management systems will be integrated with one another (i.e., across departments) and with other management systems (including budget, human resource management, property and procurement, and planning and evaluation). One example of the integration required includes connecting financial management policies and systems with time and attendance systems to ensure appropriate payment and accounting for staff time. It is especially important for the purposes of this Agreement that the VI financial management system is effectively integrated with all management systems and procedures in VIDE.

All of the action steps to address the financial management issue are important, but it is a critical factor for success that the VI improve its cash management function immediately. The cash management function must be able to provide timely and accurate information about each draw down of funds from the Department. Inability to track drawn down funds will be considered a failure to meet the terms and conditions of this Agreement.

In addition to the overall requirement to develop a credible central FMS, this Compliance Agreement also addresses issues related to (1) indirect costs, and (2) obligation of funds and disbursement of obligations. Both issues are closely tied to a credible FMS and the Department will assess progress in meeting the terms of this Agreement by the systemic approaches and degree of integration that the VI brings in designing and implementing solutions to all of its longstanding problems in the financial management area.

Sub-Issue 2.1: Credible Financial Management System

Issue Description

This sub-issue involves many areas that must be systemically addressed. In December 2001, VI staff identified a series of action items related to addressing the FMS issues, including information flow, adjustments, system improvements, training, payroll, reporting systems, draw downs, and other areas. Department staff have further supplemented VI's list. One example of the FMS issue was illustrated in the 2000 single audit findings: the auditors are still using different Department (e.g. VIDE) accounting records to compare with Department of Finance records. Invariably, the cash accounts show shortages in terms of amounts drawn from Federal agencies as compared to VI Departments' records.

To satisfy the requirements of this Agreement, the VI will develop a credible central FMS in which records account for all draws and expenditures of Federal education funds. VI agencies and single auditors will be able to rely on the central FMS as an accurate system of record. In the short term, any differences between the Department of Finance and VIDE will be reconciled concurrently, but at the end of three years, VI agencies should no longer need separate accounting systems.

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Performance Measures for Issue 2.0 and 2.1

1. Within one month of the inception of this Agreement, appropriate VIDE, VIDH, VIOMB and VIDF staff members will be provided with access to the Department's GAPS system to monitor draw downs.
2. By December 31, 2002, the VIDF will complete a vision document for the implementation of a credible central FMS.
3. By March 31, 2003, the VIDF will complete a plan for developing and implementing a credible central FMS.
4. From the inception of this Compliance Agreement, all transactions for draws and disbursements, as well as any required adjustments for Federal education programs' funds will be timely and accurately recorded in the VIDF accounting system as they occur according to generally accepted accounting standards. Inability to track drawn down funds will be considered a failure to meet the terms and conditions of this Agreement.
5. By the conclusion of the third year of the Compliance Agreement, VI will conduct monthly reconciliation of draws and expenditures, resolve any differences, and record appropriate adjustments.
6. By the conclusion of the second year of the Compliance Agreement, the VI will institute an independent internal audit function within VIDF that will abide by the standards for internal audit prescribed by the Institute of Internal Auditors (IIA).
7. By the conclusion of the Compliance Agreement, VI agencies will no longer need separate accounting systems.
8. By the conclusion of the Compliance Agreement, single auditors will be able to rely on the FMS as the accurate system of record for the financial statement audit.

Action Steps Required

	Year 1	Year 2	Year 3
1	Within one month of the inception of this Agreement, appropriate VIDF and VIDF staff members will be provided access to the Department's GAPS system to monitor draw downs.	Twice during the 2003-2004 school year, the VI will publicize the U.S. Department of Education Office of Inspector General Hotline telephone number 1-800-MISUSED and the Department of Interior OIG Hotline (1-800-424-5081) to all schools, teachers, parents of	1. VI will conduct monthly reconciliation between GAPS, VIDE, and VIDF draws and expenditures, resolve any differences, and record appropriate adjustments within 30 days.
2	By December 31, 2002 the VIDF will create a vision		

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<p>document of a credible central FMS. The vision document will specifically describe how the system would (1) provide access to accurate information when needed, (2) account appropriately for funds, (3) ensure timely deposits or draw down of funds, (4) ensure timely and accurate payments, (5) ensure, prior to archiving any financial data, the capacity to retrieve that data in the future, and (6) otherwise enable and support generally accepted government financial management and accounting standards and requirements. The vision document will also describe how the central FMS would serve as an accurate system of record that would no longer require separate accounting systems in different agencies. The document will also provide a detailed diagram of each function of the system and how it would integrate with other related systems or processes, (including, but not limited to, program planning, grant administration, budget, property and procurement management, time and attendance, human resource management, and payroll). <i>The vision document and plan (see #3 below) will be based on an independent party performing a needs assessment for the financial management system.</i></p>	<p>students in schools, participants in adult education and vocational education programs, VIDE employees, and the public and encourage anyone with any knowledge of misuse of Federal education program dollars to call the Hotlines.</p> <p>2 By the conclusion of the second year of the Compliance Agreement, the VI will institute an independent internal audit function within VIDE that will abide by the standards for internal audit prescribed by the Institute of Internal Auditors (IIA). In this regard, VIDE will create an independent Audit Committee that will make all audit resolution decisions for the VIDE and to whom the internal auditor will report.</p> <p>3 VI will conduct quarterly reconciliation between GAPs, VIDE, and VIDF of draws and expenditures, resolve any differences, and record appropriate adjustments within 30 days.</p>	<p>2. Twice during the 2004-2005 school year, the VI will publicize the Federal education Office of Inspector General Hotline telephone number 1-800-MISUSED and the Department of Interior OIG Hotline (1-800-424-5081) to all schools, teachers, parents of students in schools, participants in adult education and vocational education programs, VIDE employees, and the public and encourage anyone with any knowledge of misuse of Federal education program dollars to call the Hotlines.</p>
<p>3 By March 31, 2003, the VIDF will create a plan for how it will develop and implement the credible central FMS described in the vision document. The plan will also include resource requirements for implementing the plan, with action steps and timelines, and identify how the resources will be obtained. <i>The vision document (see #2 above) and plan will be based on an independent party performing a needs assessment for the financial management system.</i></p> <p>4 During the first year of the compliance agreement, VI will conduct semi-annual reconciliation between GAPs, VIDE, and VIDF of draws and expenditures, resolve any differences, and record appropriate</p>		

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<p>adjustments within 30 days. These reconciliations will be provided on a semi-annual basis to the Department for review with evidence that all adjustments have been made.</p>	<p>5. Twice during the 2002-2003 school year, the VI will publicize the Federal education Office of Inspector General (OIG) Hotline telephone number 1-800-MISUSED, and the Department of Interior OIG Hotline (1-800-424-5081) to all schools, teachers, parents of students in schools, participants in adult education and vocational education programs, VIIDE employees, and the public and encourage anyone with any knowledge of misuse of Federal education program dollars to call the Hotline</p>		
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Sub-Issue 2.2: Indirect Costs

Sub-Issue Description

The indirect cost issue relates to the manner in which the indirect costs associated with Federal funds are distributed within VI. OMB Circular A-87 specifies indirect cost requirements. In December 2001, officials from ED, VI and other Federal agencies developed and agreed on a three-phase process to address the indirect cost issue. Phase I of the process outlines steps for indirect cost determination and distribution; Phase II outlines steps for making rate application corrections, and Phase III outlines steps for preparing a new rate proposal. The VI will implement the agreed upon steps of the process in a timely manner and report progress to ED.

Performance Measures for Issue 2.2

1. As described below, steps to determine indirect costs and distribute indirect cost reimbursement between the VIIDE and the VI will be fully implemented by OCTOBER 1, 2002 in accordance with VIOMB's new policy. The new OMB policy will provide for a pro rata allocation that segregates central service indirect costs from agency level or departmental indirect costs.
2. By the beginning of Fiscal Year (FY) 2003, the VI and the Department must have agreed on an indirect cost rate to use for FY 2003.

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3. Starting April 1, 2003, unused leave for separating employees will not be charged directly to Federal programs, but allocated only as indirect costs.
4. All of the underlying problems having to do with indirect costs will be eliminated by FY 2004, so that audits and other monitoring procedures will have minimal findings related to indirect rates in FY 2003, and no findings related to indirect rates in FY 2004 and 2005.
5. By the conclusion of the Compliance Agreement, there will be 100 percent application of the correct, current indirect cost rate in education programs.

Action Steps Required

Officials from VI, the Department and other Federal agencies agreed in December 2001 about three phases of action steps to address the indirect cost issue. The phases, related steps, and agreed upon time lines are listed in the table below. (Steps listed in bold were added by the Department staff members after the December 2001 meeting).

	Year 1	Year 2	Year 3
1	If the steps or timelines listed in this table are no longer valid, the VI will ask the Department to consider a revised plan of action steps and timeline by October 1, 2002.		
2	In addition to other requirements set forth in the <i>Reporting Requirements</i> section of this document, the quarterly reports for this sub-issue will include a copy of the products developed for each step of the process.		
<i>Phase I: Indirect Cost Determination and Distribution</i>			
<ul style="list-style-type: none">• DOI IG will submit letter to the Legislature and Governor outlining the indirect cost fund sharing issue.• Develop cost policy statement regarding Indirect Cost Fund Sharing.• OMB will submit policy change recommendation and potential changes to the existing legislation on the indirect cost fund, if necessary, to the Legislature with copies to the U.S. Department of Interior (DOI) and the Department.• ED indirect cost staff transmit cost policy template to VI OMB.• VIIDE will provide cost policy statements to the Department and DOI by September 30, 2002.• Cost policy statements will be amended as appropriate to account for the LEA/SEA relationship.			

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<ul style="list-style-type: none"> • OMB will provide agencies with account codes for receipt and expenditure of indirect cost funds. Any shortfalls will be absorbed by VIDF, not VIDE programs. • VIDF will propose accounting changes to implement new indirect cost policy for review by the Department and DOI by September 30, 2002. The policy must address unused leave for separating employees. • Training needs will be identified. • Training will be planned and scheduled. • Training will be implemented. 		
<p><i>Phase II: Rate Application Corrections</i></p> <ul style="list-style-type: none"> • Determine and correct current rates, as necessary. • As needed, correct the rate table and apply correct rates to current grant programs. • Review FY 2002 indirect cost rates on FMS versus current rates on indirect rate plan. • Review the prior year indirect costs applied to grants and prepare necessary adjustments. • Develop a procedure to report indirect cost rate application errors to VIDF. 		
<p><i>Phase III: New Rate</i></p> <ul style="list-style-type: none"> • Obtain three-year rate proposal with the following steps: • Issue RFP for 2003-2005 • P & P issue invitations for bids. • P & P review bid packages. • Contract sent to Justice. • Justice reviews contract and forwards to Governor's legal counsel. • Contract executed. • Contract work performed. • Submit rate proposal to IG. • Submit draft agreements to agencies for review and approval/signature. • Agencies implement new rates. 		

Sub-Issue 2.3: Obligation of Funds/Disbursement of Obligation

Sub-Issue Description

Federal education funds in the VI must be obligated and disbursed in a manner that ensures that programs are appropriately managed. Specifically, application for funds should be based on program plans, and funds disbursement should occur as the program plans dictate and be tied to specific activities. In addition, funds should be spent in a timely manner based on resource requirements for activities specified in the program plans. Under the terms of this Agreement, the VI will develop a grant application process and

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subsequent spending process that ensures that grant awards are based on specified program plans and spent on the programs in a timely manner. The grants systems will be integrated with the central FMS.

The outcome measures for this issue are that (1) program plans are the basis for application and disbursement, (2) disbursements are tied to actions specified in program plans, (3) all funds are spent for allowable purposes under the statutes, and (4) no funds are lost due to lapsing obligation periods.

Performance Measures for Issue 2.3

1. The VI will complete an analysis of past problems with program planning, obligation, and disbursement by September 30, 2002.
2. The VI will develop a plan to re-engineer its grants application, planning, and disbursement by March 31, 2003.
3. The VI will fully implement the plan to re-engineer its grants application, planning, and disbursement by March 31, 2004.
4. Within one month after the Compliance Agreement is signed, the VI will put in place a system of safeguards to assure that lapses of funds will be minimized.
5. No lapses of funds will occur after March 31, 2003. Funds lapse when the deadline allowed by law to obligate Federal grant awards has passed and funds remain that have not been properly obligated. These funds are no longer available to VI for use.
6. In the final year of the Compliance Agreement, (1) program plans will be the basis for application and disbursement, (2) all disbursements will be tied to actions specified on program plans, (3) all funds are spent for allowable purposes under the statutes, and (4) no funds will be lost due to lapsing obligations periods.
7. The grant application, planning, obligation, and disbursement functions will be fully integrated with the FMS by the conclusion of this Compliance Agreement.
8. At the end of the three year period, VI will liquidate obligations on a timely basis and not need extensions in the liquidation period.

Action Steps Required

In December 2001, VI staff members developed the action items listed below to address the obligation of funds/disbursement of funds issue. Although the action items are an important first step, they do not go far enough in ensuring a grant application, award, and spending system that ensures that needed funds are received and fully spent to support programs. The table below provides further required action steps.

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Receipt of Grant Award

- All DOE grant awards and extension approvals should go to the VIDE Commissioner with a copy to VIDE Federal Grants Office who will distribute copies to the Board of Education, VIOMB and VIDE.
- Access to GAPS system to review all grant awards as an extra check on grants.

Grant Periods

- Extensions should be requested by program managers in writing 60 days prior to the expiration date of the grant to justify the reason for the extension. For all grants to the VI government, extensions apply ONLY to liquidation of expenses that were obligated during the Federal funding period specified in the grant award.
- Quarterly performance meetings to evaluate reported expenditures against the spending plan.
- Develop a grant tracking system.
- Quarterly prepare lists of expiring grants to be provided to the Commissioner, which include the percent of funds expended.
- Document the rules about obligation and extension dates.

	Year 1	Year 2	Year 3
1.	Within one month after the Compliance Agreement is signed, the VIDE will implement a policy statement delineating the procedure for reviewing and processing sub grantee awards to expedite allocations and disbursement of Federal funds to eligible applicants within five days of receipt from the LEA program office. Applications not approved for funding will be returned to the Program Office originating the proposal within the five working day period. If the timeline requirement is not met, the Commissioner will submit a letter of explanation to the funding agency within ED, with a copy to the affected program.	1 The plan to re-engineer the grant application, planning, obligation, and disbursement functions will be fully implemented by March 31, 2004	1 The grant application, planning, obligation, and disbursement functions will be fully integrated with the FMS by the conclusion of this Compliance Agreement.
2.	Within 45 days after the Compliance Agreement is signed, the VI will put in place a system of safeguards to assure that lapses of funds will be minimized.		
3.	By September 30, 2002, the VI will provide the Department with (1) a list of Federal requirements for program planning, obligation, and disbursement of funds, and (2) an analysis of the VI's education grants for the past fiscal year that specifies where problems in meeting requirements occurred in program planning, obligation and disbursement, and why the problems occurred.		

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<p>4 Based on the analysis of requirements and past problems, the VI will develop and provide the Department with a plan, by March 31, 2003, to re-engineer its grant application, planning, obligation, and disbursement functions. The plan will include policies, procedures, and systems to ensure that (1) program plans are the basis for application and disbursement, (2) disbursements are tied to actions specified in program plans, and (3) no funds are lost due to lapsing obligation periods.</p> <p>5 By March 31, 2003, the VI will create a common template and timetable for all program plans. Such a template and timetable will structure planning information and provide a structure for activity-based disbursement plans and decisions.</p>		
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Issue 3.0: Human Capital

Issue Description

The human capital issue area encompasses two significant sub-issues: (1) recruiting and hiring, and (2) time and attendance accounting and supplanting. The recruiting and hiring issue involves ensuring that qualified teachers and related service personnel are available for students in every classroom. The time and attendance accounting and supplanting issue deals with ensuring that personnel paid by Federal education funds are in fact performing the appropriate jobs in the programs they were funded to work in.

Timelines or action items under this Compliance Agreement do not replace and/or exclude any requirements of previous Compliance Agreements. For example, the VIDE IDEA-Part B Compliance Agreement states: "By 12/01 VIDE is to have hired qualified personnel to fill 85% of any vacancies (related to special education vacancies) that occurred after 10/99." That requirement, and all others under the previous Compliance Agreement will remain in force.

Sub-Issue 3.1: Recruiting and Hiring

Sub-Issue Description

Ensuring that there is a highly qualified teacher in every classroom is critical to improving education in the VI and to complying with Federal education requirements. Through this Agreement, the VI will address the human capital issue in the immediate, short, and

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long terms. In the immediate term, the VI will develop a policy for class coverage that ensures that adults are supervising every classroom at all times that students are present. In the short term, the VI needs to determine how many highly qualified teachers they currently have in the schools and how many they need, and develop a plan to hire or otherwise engage the services of the teachers or other qualified personnel that they need over each of the next three school years and beyond. In the longer term (although these actions are not covered under this Compliance Agreement), the VI will create initiatives to encourage young people to take up teaching as a career and to prepare them for such careers.

The VI will re-engineer its hiring process so that teachers and related personnel can be moved into the schools quickly, and receive their first paycheck on a reasonable time schedule.

In December 2001, VI staff members identified action steps to address recruiting and hiring concerns. However, the VI needs to consider a much fuller range of options for getting qualified teachers and related personnel into classrooms, and it must do so quickly. Students cannot easily regain educational opportunities lost to them for each year that they do not have a qualified teacher.

Performance Measures for Issue 3.0 and 3.1

1. VIDE will immediately implement its expedited hiring authority and use the authority in hiring qualified teaching staff.
2. VI will develop hiring goals and priorities for five years by March 31, 2003.
3. VI will meet its hiring goals for the 2003-2004 school year.
4. VI will meet its hiring goals for the 2004-2005 school year.
5. In the 2002-2003 school year and beyond, there will be no instances of classes or students without adult supervision.
6. By the beginning of the 2003-2004 school year, all newly recruited staff will be deployed within one month of acceptance of an employment offer and will receive their first paycheck within one month of starting work (with respect to Special Education, the terms of the MOA shall apply.)

Action Steps Required

	Year 1	Year 2	Year 3
1. By OCTOBER 31, 2002, the VI will develop policies and procedures for class coverage (i.e., by using substitute teachers).	1. VI will meet its hiring goals for the 2003-2004 school year. In addition to the items	1. VI will meet its hiring goals for the 2004-2005 school year. In addition to	

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<p>procedures for class coverage (i.e., by using substitute teachers, administrators, supervisors, principals, etc.), in the event that a teacher is unable to be in the classroom when students are present.</p>	<p>2004 school year. In addition to the items set forth in the "Reporting Requirements" section of this Agreement, quarterly reports will also include each person's date of hire, date of entry into the personnel system, date of arrival on the job, and the date of receipt of first paycheck. The report should include contact information for each new hire so that the Department staff can confirm the personnel data reports with staff members.</p>	<p>the items set forth in the "Reporting Requirements" section of this Agreement, quarterly reports will also include each person's date of hire, date of entry into the personnel system, date of arrival on the job, and the date of receipt of first paycheck. The report should include contact information for each new hire so that the Department staff can confirm the personnel data reports with staff members.</p>
<p>2. By DECEMBER 31, 2002, the VI will determine the percentage of classes conducted by highly qualified teachers as defined in The No Child Left Behind Act of 2001.</p>		
<p>3. By DECEMBER 31, 2002, VIDE will establish a plan to increase recruitment of specialized personnel, such as speech pathologists, physical therapists, occupational therapists, etc. VIDE will prepare and work with VIDH to establish a memorandum of agreement between VIDH and VIDE to jointly recruit and share needed specialized personnel, such as speech pathologists, physical therapists, occupational therapists, etc. The terms of such agreement need not require that either agency share personnel during any periods of time when either of the agencies is fully utilizing all of its personnel in order to meet the needs of the infants, toddlers, or children with disabilities as required under federal law and the sharing of personnel would cause one of the agencies to be out of compliance.</p>	<p>2. By the beginning of the 2003-2004 school year, the VI will have implemented a process to re-engineer its personnel system and related payroll process so that all new staff hired for education programs can be deployed to classrooms within one month of being hired and receive their first paycheck within one month of starting work.</p>	
<p>4. By DECEMBER 31, 2002, the VI will determine how many highly qualified teachers it needs per program to employ to achieve the goal of having a qualified teacher in every classroom within 5 school years. In determining the number of teachers it needs, the VI will ensure ratios comparable to similar sized school districts for the (1) average number of students per teacher, (2) average number of administrators per student, and (3) percentage of Federal dollars spent directly for classroom instruction and related expenses. In addition, the VI will assign priorities to the types of teachers needed. For example, based on the previous Compliance Agreement, special education programs are currently an immediate priority for filling vacancies. As another example, high school teachers are also an immediate priority so that the VI high schools can regain accreditation.</p>		

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<p>5. By MARCH 31, 2003, and based on the total number of qualified teachers needed over five years and the priorities for types of vacancies to fill first, the VI will set specific goals for employing qualified teachers in specific classrooms each year. The yearly goal should equal 20% of the total number of qualified teachers needed within 5 years (i.e., yearly goal = total # qualified teachers needed over 5 years/5)</p>		
<p>6. By APRIL 30, 2003, VI will develop an action plan to revise as necessary the action steps to improve the hiring process, including the use of current legislative authority for VIIDE to bypass the personnel office, and expedite the hiring process.</p>		
<p>7. The VI will work with the Board of Education to expedite the teacher certification process, including alternative certification approaches.</p>		
<p>8. The VI will work with the Board of Vocational Education to expedite setting standards for teacher certifications, including alternative certification approaches.</p>		

Sub-Issue 3.2: Inadequate Time Accounting and Supplanting

Sub-Issue Description

VIIDE currently cannot adequately demonstrate that employees paid out of Federal education funds are performing work in the programs they are paid to support. This is especially an issue where employees split their time between Federal and other programs, or between more than one Federal program. Supplanting is also an issue, which involves, simply stated, using Federal funds to pay for personnel that the State should pay. The time and attendance accounting issue is one that will be integrated across all management systems. Planning will determine which employees will work in which programs and for how much time. Budgeting will ensure that funds are appropriately available, and financial management and accounting systems will ensure that funds are appropriately spent and accounted for. Human resource information systems will be able to accurately reflect and report how employees spent their time.

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Although this issue is covered here, with other human capital issues, it is important that plans and actions to address the problem be developed and implemented at a systemic level and integrated with other management systems.

The objectives of addressing this issue are to ensure that (1) the salaries of employees who work under more than one Federal program are properly allocated among those programs, in accordance with accurate time distribution records, and (2) that Federal funds are not paying for personnel that the State should pay.

Performance Measures for Issue 3.2

1. By March 30, 2003, all payroll registers will reflect the appropriate percentage split of time for staff funded by Federal programs.
2. By the final year of the Compliance Agreement, all time and attendance records will be computer-based and accurate.
3. By the final year of the Compliance Agreement, audits will find no instances of supplanting.

Action Steps Required

The following items were developed by VI staff at the December 2001 planning session and are presented here as action steps for inclusion in the plan to be developed under *Action Step 1, Year 1* below.

Time Distribution

- Develop a policy & procedure in the assignment of time distribution percentage utilizing OMB Circular A-87. Make systematic adjustments as required.
- Establish process to manage Quarterly Fluctuations to ensure adequate allocation of time distribution and employee certifications.
- Conduct Job Analysis to determine allocations.
- Policy & procedures created.
- Policy approved and distributed
- Pre-audit test to determine compliance and adjustments needed
- Training and Implementation of time distribution policy and procedure.
- Ensure that the Department and Department of Interior (DOI) approve the system and all related forms.
- Accounting system will be changed to permit quarterly adjustment between budgeted and actual effort.
- The Department and DOI will approve PAR and semi-annual certification forms.
- Target an area selected for a pilot.
- Train employees and supervisors in the target area.
- Implement the program in the pilot area piloted and evaluate it.

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- Revise training and forms and accounting program based on the pilot evaluation.
- Phase in other areas.

Time and Attendance

- Review and record current procedures relative to the documentation of time and attendance within VIDE to identify inconsistent applications of procedures
- Analyze result of review and recommend changes and/or improvements to current process to ensure the proper retrieval of time and attendance documents.
- Activate system enhancement program to scan source document and payroll records to minimize record bulk and to facilitate the location of time and attendance documents and make recommendations regarding system upgrade for VI government.
- Implement conversion to enhance system that will guarantee adequate documentation over employee time and attendance. (VIDE – Pilot Programs)

Supplanting

- Meeting/training between OMB, VIDE, the Department and auditors on specific program issues to identify maintenance of effort requirements and funding levels. Identify which positions are paid from which fund. Define basic service levels and optional programs in order to prevent supplanting issues.
- Develop policy and procedures in accordance with OMB Circulars that would ensure that positions paid out of Federal funds would not reveal instances of supplanting.
- Provide training regarding the implementation of procedures.
- Implement policy.

Year 1	Year 2	Year 3
1. By March 30, 2003, the VI will submit a revised plan to address issues related to time and attendance accounting and supplanting. The plan will specifically state how the time and attendance accounting procedures will be integrated with program related budgeting, financial management, planning, and personnel processes. At a minimum, the system will (1) be computer-based and territory-wide, (2) allocate time and attendance to specific programs, (3) ensure that maintenance of effort and supplanting prohibitions in each statute are met and (4) personnel records are properly archived and readily accessible. As part of the plan, the VI will	1. The time and attendance accounting plan will be implemented by March 30, 2004. 2. Management reports showing all staff members paid with Federal funds and the distribution of their time by funding source will be submitted to the Department quarterly for the duration of the Compliance Agreement beginning for the quarter ending June 30, 2004.	1. Management reports showing all staff members paid with Federal funds and the distribution of their time by funding source will be submitted to the Department quarterly.

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<p>benchmark other States' (such as Florida) systems and develop a time and attendance system that can accurately reflect time distribution across various programs</p>		
<p>2. By September 30, 2002, the VI will develop an accurate list of employees whose time is paid in any part with Federal education funds. The list will identify each employee and the percentage of his/her time that is paid for by each Federal program. The list will be provided to the Department and to each supervisor of staff whose time is so paid</p>		
<p>3. By September 30, 2002, each supervisor of staff whose time is paid with Federal funds will inform the staff member about how his/her time is to be allocated and accounted for. The supervisor and the staff member will both sign a document that clearly states the time allocation for the staff member. A copy of each document will be provided to the Department as part of the first Compliance Agreement quarterly report.</p>		

Issue 4.0: Property Management and Procurement

Issue Description

Procurement and property management are related issues that result in students, and teachers not having the supplies and equipment that they need. Procurement is a problem because the process takes significant time and vendors have not been paid in a timely manner. As a result, vendors have been unwilling to do business with the VI, resulting in an inability to obtain needed supplies and equipment for students and teachers. Property management is a concern because purchased items do not get to classrooms in a timely manner, if at all. Property cannot be effectively tracked and may remain in warehouses, be delivered to incorrect locations, or be stolen rather than benefiting students and teachers in classrooms. The VI will develop and implement effective procurement and property management policies and systems that ensure (1) delivery of ordered inventory within specified timeframes for type of supply and location of vendor, (2) payment to vendors within 30 days of invoice receipt, (3) delivery of supplies and equipment, that have been tagged and entered into a tracking system, to classrooms within 3 days of inventory receipt, and (4) security of property and supplies.

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Sub-Issue 4.1: Property Management

Sub-Issue Description

The VI needs to improve its property inventory and repair/maintenance system. This is a major reason that classrooms are under equipped. Also, better security measures are needed to prevent the theft of vehicles, supplies and equipment. Through this Compliance Agreement, VI's manner of managing inventory will be such that items purchased with Federal program funds can be tracked, are distributed timely, and are used for the benefit of students. This system will comply with Federal regulations, to include tagging and tracking of inventory and prompt delivery of property purchased with Federal funds to the appropriate locations, so that items may be used for the purposes of the program under which they were purchased. The inventory policy will include an established procedure for replacement or payback of any items in the inventory that cannot be located, consistent with Federal regulations. In addition, the inventory policy and system will ensure that the Property and Procurement, Finance, and Education Departments act as an integrated team on procurement issues. They will delineate between responsibilities of individual Departments (including at the local and State levels), ensure efficiency and eliminate duplication of effort, and make provisions for emergency needs to ensure students' health and safety. At a minimum, the inventory management system will reflect when items are ordered, when ordered items arrive, when items are logged into the system, and when they are delivered to the intended location. In addition, the VI will ensure that inappropriate use of equipment (for example, vehicles or computers) is penalized and that the Department is reimbursed when equipment damage results from such use.

Performance Measures for Issue 4.0 and 4.1

1. The VI will provide the Department with an inventory policy and implementation plan of the inventory management system by June 30, 2003.
2. The VI will take immediate action to the extent possible to secure all property, in warehouses, schools, and other locations from larcenous behavior or inappropriate or unauthorized use. By June 30, 2003, the VI will complete all reasonable steps to secure all property, in warehouses, schools, and other locations from larcenous behavior or inappropriate or unauthorized use.
3. An inventory policy and system will be fully implemented by December 30, 2004. The policy and system will include that all property purchased with Federal program funds will be tagged, entered into a tracking system, and delivered to the appropriate location within 3 calendar days of receipt.

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4. By March 31, 2005, all unaccounted-for items will either be returned to their intended locations, or their full value will be reimbursed to the Department.
5. By the end of the second year of the Compliance Agreement, the inventory management system will reflect minimal losses due to theft.
6. By the end of the Compliance Agreement, audits will show minimal unaccounted-for property.

Action Steps Required

In December 2001, VI staff members identified the action steps and timelines listed below to address inventory management issues. The table below provides further required action steps.

- Issue memorandum from the Governor setting deadline and priority for all Departments to comply with WIN ASSETS Personal Property Inventory System.
- VIDPP to issue supplemental guidance memorandum setting default values.
- VIDPP to provide technical support for WIN ASSETS SYSTEM.
- Determine and seek funding for human and other resources needed to establish, maintain, inspect, test and reconcile data in WIN ASSETS System.
- Determine individual departmental compliance with WIN ASSETS Personal Property Inventory System implementation deadline. By
- Convert individual Department inventories to WIN ASSETS format (where necessary) and upload departmental data to VIDPP system. By
- VIDPP to conduct meetings with individual Departments about the process for maintaining government-wide inventories on the WIN ASSETS system.
- VIDPP to issue Inventory Management Procedures Manual. (Establishes ongoing procedures and timing for reporting acquisitions and dispositions -- point at which assets are added to inventory, mandatory minimum fields for data entry, tagging and tracking assets, reconciling physical inventories to departmental purchase orders.) Ongoing.
- Department of Finance to provide quarterly record of 25600 capital outlay expenditure reports.
- VIDPP to reconcile FMS expenditures to WIN ASSETS inventory acquisitions quarterly.
- VIDPP to conduct on site tests and tagging of personal property inventories submitted by individual Departments. Ongoing.
- VIDPP MIS to periodically upload departmental inventories, analytically review data base for various governmental purposes and to test accuracy, modify program for departmental and program needs, maintain codes and data classification for changes in legislation and governmental reorganizations. Ongoing and quarterly.
- VIDPP to conduct training on WIN ASSETS and inventory procedures for designated individuals from all Departments.

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Year 1	Year 2	Year 3
<p>1. The VI will revise the steps and timelines of the plan above as they deem necessary and provide the Department with an inventory policy and implementation plan of the inventory management system by June 30, 2003. The VI will benchmark other States' inventory management policies and systems, or engage a consultant, to ensure that their planned policy and system will deliver intended results and that their implementation time lines are reasonable.</p> <p>2. By June 30, 2003, the VI will secure all property, in warehouses, schools, and other locations from larcenous behavior or inappropriate or unauthorized use. Such steps will include controlling access to school buildings, property supply houses, and official vehicle parking lots, and controlling and tracking access to specific equipment. The VI may wish to benchmark inventory security procedures with other States, or to engage a contractor to supply or consult on security issues.</p>	<p>1. By December 31, 2003, the VI will begin collecting data on items purchased with Federal funds from ED. On March 30, 2004 and every six months thereafter until the conclusion of the Compliance Agreement, the VI will provide the Department with management reports that show, at a minimum, all items ordered, when the items were ordered, when ordered items arrive, when the items were logged into the system, and when the items were delivered to the intended locations. Documents to verify the management reports, including copies of equipment and supply orders, vendor delivery statements, tracking data, and signed receipts showing delivery to schools, will accompany the management reports until the Department deems that such verification data are no longer necessary.</p> <p>2. Within three months after full deployment of the new inventory management system (and no later than December 31, 2004), the VI will provide the Department with a list of items paid for with Federal funds that are not in service in classrooms (i.e., lost, stolen, or improperly deployed items).</p> <p>3. Within 6 months after full deployment of the new inventory management system (and no later than March 31, 2005), the VI will (1) return improperly deployed, lost, or stolen items to their intended locations as possible, (2) provide the Department with a report of items and their values that are still not properly in service in intended locations, and (3) reimburse the Department for the items that have not been returned properly to service. The VI may wish to post a lost property notice in media outlets, and/or offer rewards for information leading to return of property.</p> <p>4. The inventory management system will be fully implemented by December 30, 2004</p>	

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Sub-Issue 4.2: Competitive Procurement (Improved Process)

Sub-Issue Description

The current competitive procurement and contract process takes too long and does not ensure that vendors (contractors) for school services are hired and are paid on time. The VI will develop a new competitive procurement policy and process that ensures that school services, supplies, equipment and other necessary resources are provided and in classrooms when they are needed. The policy and process will also ensure that vendors are paid within 30 days of invoice receipt. In addition to the items noted above, the procurement management process will include procedures for flexible, timely contractual arrangements, sole source contracts, contract closeout activity, including receipt of goods certification, contracts release, and review of final payment.

In December 2001, VI staff developed the time lines listed in the table below for procurement, vendor payments, and delivery of supplies or equipment to end users. The procurement policy and process will ensure that the time lines are met in all instances by the conclusion of the Compliance Agreement

Procurements

- Department of Education from central supply sources in 2 days - 1 week
- On island purchases < \$5,000 in 2 weeks
- On island purchases > \$5,000 in 3 weeks after receipt by the Department of Property and Procurement
- Off island purchases < 3-4 weeks after receipt by the Department of Property and Procurement
- Off island delivery of purchased items < 2 months

Payment of Invoices

- Payment of invoices after receipt of acceptable goods or services in 20 - 30 days

Delivery of Supplies or Equipment

- Delivery of received items to school, activity center, or school district in 3 days from receipt

Performance Measures for Issue 4.2

1. The VI will provide the Department with a procurement policy and implementation plan of the procurement management process by June 30, 2003.
2. A procurement policy and process will be fully implemented by September 30, 2004.
3. By September 30, 2003, the VI will revise the system of requiring 3 bids for each and every item submitted on a requisition to reduce the time needed to obtain required items to meet the procurement time lines noted above.

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4. By September 30, 2003, the VI will develop and maintain a short-term emergency by-pass authority/option for items that cost less than \$10,000.
5. By the conclusion of the Compliance Agreement, the VI will receive all procurements purchased with Federal education program funds within the timeframes listed in the table above.
6. By the conclusion of the Compliance Agreement, the VI will pay vendors for all procurements related to education program within 30 days of receipt of the vendor's invoice.

Action Steps Required

In December 2001, VI staff members identified the following action steps and timelines to address competitive procurement issues and to meet the timelines listed in the table above.

- Flow chart new process.
- List key players and produce directory.
- Convene working committee meetings (all stakeholders). Monthly and ongoing.
- Develop effective document transmittal process, standardized forms, system changes specified, record retention policy, competition requirements, vendor certification and representations including eligibility, responsibilities redefined, personnel analysis, and reallocation recommendation.
- Prepare new government policies, procedures, and regulations.
- Review and approval of new policies, procedures and regulations.
- Distribute and provide orientation to stakeholders on new policies, procedures, and regulations.
- Establish improved interagency communication and commitment.
- Hire needed personnel.
- Train all stakeholders and responsible personnel.
- Build accountability and timelines into personnel system.
- Pilot implementation of new policies, procedures, & regulations.
- Full implementation of new policies, procedures & regulations.
- Fully automate requisition, purchase order, and contract writing process.
- Conduct periodic process review, identifying deficiencies and implementing continuous improvement actions. Ongoing.
- Full and effective implementation of new process. Ongoing.
- Establish review protocol for contracts such that VIOG and VIDI review only selected contracts.

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Year 1	Year 2	Year 3
<ol style="list-style-type: none"> 1. The VI will revise the steps and timelines of the December 2001 plan as they deem necessary and provide the Department with a procurement policy and implementation plan of the procurement management process by September 30, 2003. 2. At the start of the Compliance Agreement, the VI will begin collecting data on items procured for education programs to develop baseline measures of the procurement process. 	<ol style="list-style-type: none"> 1. The procurement management process will be fully implemented by September 30, 2004. 2. By June 30, 2003, the VI will revise the system of requiring 3 bids for each and every item submitted on a requisition to reduce the time needed to obtain required items to meet the procurement time lines noted above. 3. By June 30, 2003, the VI will develop and maintain a short-term emergency by-pass authority/option for items that cost less than \$10,000. 	<ol style="list-style-type: none"> 1. VI's procurement policy and process will meet the time lines for procurement, vendor payments, and delivery of supplies or equipment to end users by the conclusion of the Compliance Agreement

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The parties agree to faithfully carry out the terms of this compliance agreement as set forth above.

For the U.S. Virgin Islands

Michael

Noreen Michael, Ph.D.

Commissioner, Department of Education

Date: Sept. 5, 2002

Mavis L. Mathew, MD, MPH
Mavis L. Mathew, MD, MPH
Commissioner, Department of Health

Date: 9/6/02

Bernice A. Turnbull
Bernice A. Turnbull
Commissioner, Department of Finance

Date: 9/6/02

Ira Mills
Ira Mills
Director, Office of Management and Budget

Date: 9/4/02

Marie A. Higgs
Marie A. Higgs
Commissioner, Department of Property and Procurement

Date: 9/6/02

Joan U. Barry
Joan U. Barry
Director, Division of Personnel

Date: 9/4/2002

Jorge C. Gallic, M.D.
Jorge C. Gallic, M.D.
Virgin Islands Board of Education

Date: 9/6/02

Charles W. Turnbull
Charles W. Turnbull
Virgin Islands Board of Vocational Education

Date: 6/19/02

Charles W. Turnbull
Governor of the Virgin Islands

Date: 9/6/02

Approved as to legal sufficiency at the V.I. Department of Justice:

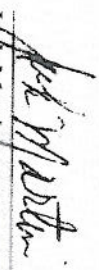
Ker A. Stridron
Ker A. Stridron
Attorney General

Date: 9/3/02


U. S. Virgin Islands Compliance Agreement

For the U.S. Department of Education:

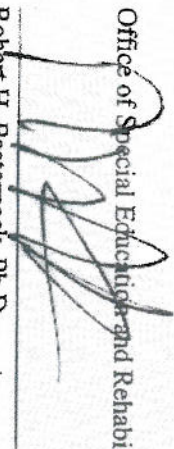
Office of the Chief Financial Officer


Jack Martin,
Chief Financial Officer

Office of Elementary and Secondary Education


Susan B. Neuman, Ed.D.
Assistant Secretary


Office of Special Education and Rehabilitative Services


Robert H. Pasternack, Ph.D.
Assistant Secretary

Office of English Language Acquisition, Language
Enhancement, and Academic Achievement for Limited English
Proficient Students


Maria Hernandez Fernier, Ed.D.
Director

Office of Vocational and Adult Education


Carol D'Amico,
Assistant Secretary

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